RV BUSINESS

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APRIL 19, 1991

RVIA Economist Sees Strong '92 Recovery

The liberation of Kuwait will boost consumer confidence enough to bring the U.S. economy out of recession, but the turnaround will come too late this year to be of much help to the RV industry, predicted John DeWolf, economic consultant to RVIA, Reston, Va.

"The recession will be officially over in May or June," DeWolf forecast, "but the general economic turnaround will come after the spring RV-buying season is over."

However, DeWolf said he expects a weak 1991 to be followed by a strong recovery year.

Here are the specifics of DeWolf's forecast:

Class A motorhome shipments will decline 12% in 1991 to 25,600 units, down from 29,000 units in 1990. Then, demand should jump 35% to 34,500 units shipped for 1992.

Class B motorhome demand will decline 14% in 1991 to 5,100 units shipped, as compared with 5,900 units in 1990. Shipments should then climb 24% to 6,300 units in 1992.

Class C motorhome shipments will decline 17% in 1991 to 14,400 units and then increase 17% to 16,900 units in 1992, which is still below the 17,400-shipment total of 1990.

Shipments of travel trailers, fifth-wheels and park models are forecast to decline 14% to 75,100 units in 1991 and then increase 12% to 84,300 units in 1992. That towable shipments tally can be compared with 87,600 units wholesaled in 1990.

Folding camping trailers will decline 9% in 1991 to 27,800 units and then rebound with a 19% rise to 33,200 units in 1992, topping the 30,700 in 1990.

Van-conversion demand will decline 20% in 1991 to 140,000 units wholesaled, down from 174,200 units in 1990. Then, shipments are expected to leap by 30% to 185,000 units in 1992.

Shipments of truck campers are foreseen slipping only 1% in 1991 to 9,600 units, followed by an 18% jump to 11,300 units in 1992. That compares with 9,700 shipments in 1990.

In preparing his forecasts, DeWolf uses an econometric model that gives the greatest weight to two variables: the University of Michigan Index of Consumer Confidence and interest rates. Δ – *Jeff Kurowski*

RV Makers Report Rise in Orders, Boost Spring Production Goals

A post-war surge in consumer traffic, signs of a reviving economy and increased dealer orders spurred a number of major RV manufacturers to begin calling back workers and boosting output goals as the spring season opened.

After the layoffs and plant closings of late 1990, a quick roundup of RV makers found most cautiously upbeat about prospects for the spring and summer of this year:

- "We've seen a good influx of orders," said Wilbur Bontrager Jr., vice president, Jayco Inc., Middlebury, Ind. "And I would say this year's winter sales also ex-

see page 8

THE NEW TIDE OF CLASS A's: 1991 brings a wave of diverse new products. While trends to downsizing and diesels continue, new directions include a shift away from basements. See page 24.

Dealers Fear Credit Crunch Will Cramp Sales Revival

Amid signs that postwar euphoria is releasing a pent-up demand for RV products, dealers across the country are reporting concern over what they see as a tightening of both wholesale and retail credit – which could prevent them from capitalizing on some of the best market opportunities they have had in the past 18 months.

"The really frustrating thing for dealers right now," said Newt Kindlund, president of Holiday RV Superstores Inc., based in Orlando, Fla., "is that they see gasoline at around $1 a gallon, the prime rate at 9%, Fed funds under 7%, consumer confidence rising in the wake of a quick resolution of the Gulf War and an administration that is telling the Fed to loosen credit restrictions – yet we are in this situation where credit, on both the wholesale and retail side, is tighter than it has been in the past for our industry. Coming on the heels of a year-and-a-half

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7 Dealer Award Announced by RVDA, RVB

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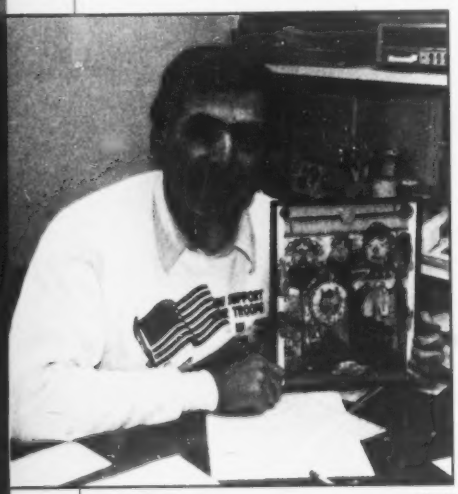

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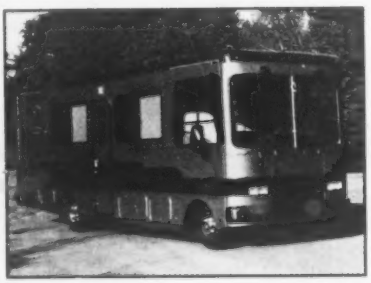

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COVER PHOTO: COURTESY OF MALLARD COACH CO. INC.

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The New Tide of Class A's ____ 24

Emerging from a rough 1990 into a still-uncertain 1991 market, Class A manufacturers are offering a surprisingly broad variety of new products. Diversity and niche marketing are the keynotes, and new directions include a move away from basement models, a preference for standard-size units despite the downsizing trend, and growing popularity for diesel-powered coaches.

Class A Chassis Specifications ____ 30

These technically detailed charts provide a useful comparative reference on the chassis-product specifications of all major Class A rail suppliers.

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IS THE RECESSION OVER?

MORTON J. MARCUS

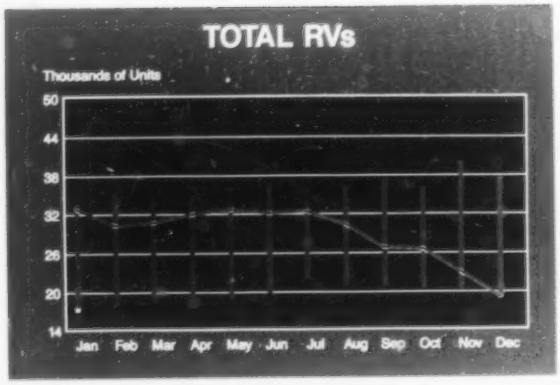


Figure 1

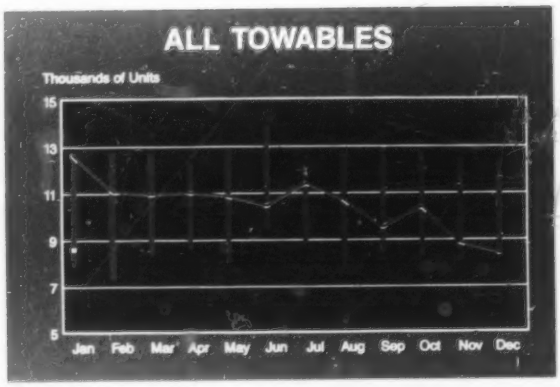


Figure 2

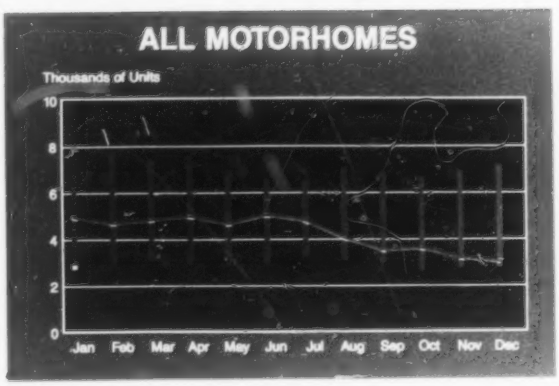


Figure 3

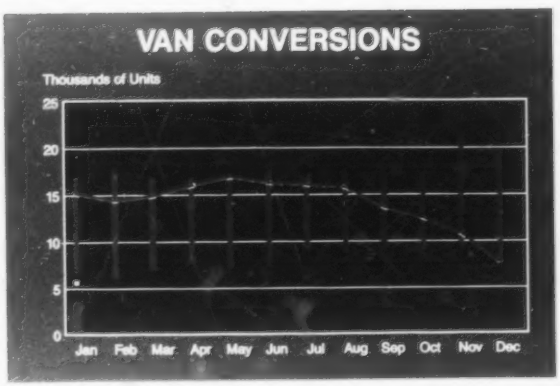


Figure 4

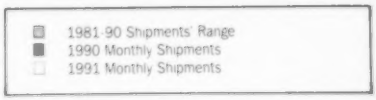
The remarkable television coverage of the war in the Persian Gulf has inspired reporters to treat the recession in the same way. Economists are being asked repeatedly by anxious business news hounds, "Has the last bomb fallen? Does this signal the end of the recession?"

An expectation has developed that the press can cover the end of the recession just as they covered the war – up close and personal. But recession is not like a war. There is no first shot, no last POW released. Recessions are more like a snowstorm. We do not know when the first flake falls nor where. That first flake may descend in the northern part of the city hours before any trace can be found in the southern suburbs. The last evidence of the storm may remain as a pile in a protected corner of a shopping-center parking lot for weeks after the last flake falls.

The January shipment data from RVIA, when adjusted for normal seasonal variations, indicates that the decline continues. January 1991 was the sixth consecutive month in which shipments were below the level of the preceding month. Since July of last year, when shipments were 32,640 units, the industry has fallen 46% to a level of 17,520 units. *(See Figure 1.)*

Perspective

With these first data for 1991, we have redesigned the figures that accompany these monthly reports to put our current situation in perspective. Figures 1 through 4 now offer a 10-year overview of RV shipments. The bars shown for each month represent the range of shipments during the period 1981 through 1990. This broad period of time allows us to see how current shipments (shown in yellow) fit into the industry's experience with recessions and expansions of the past decade.



January 1991 basically ties the low set for that month in January 1982 at the bottom of the last recession. Every one of the low

GRAPHICS: DIGITAL LIFE

points represented in Figure 1 for total RV shipments was set in the 1981-82 recession. January was the very bottom for the RV industry then, but there is no guarantee that history is repeating itself.

Towables improved in January from their December low for 1990. *(See Figure 2.)* For this group of units, all the lows also were set in the recession of 1981-82. During that recession, the low for January (and for the entire recession) was 7,890 units, 10% below the 8,750 units of this January.

In fact, at no point has this recession equaled the lows of the past. Motorhomes set all their lows in 1981. (The January figure for 1982 was only a 10-unit improvement over 1981, but this could be little more than rounding of the data.) January 1991, at 2,850 motorhome units, is still 2.5% above that 1981 low. As we follow this current recession via the data for 1990 and 1991 shown in Figure 3, it is evident that the present is not as bad as the past for motorhomes.

No similar claim can be made for van conversions. The downturn in this segment of the industry has broken through the lows of the 1981-82 recession. *(See Figure 4.)* At 5,920 units for January 1991, van conversions were nearly 14% below the 10-year range for the month; this is after December 1990 set the low for that month. Hence, for van conversions, this recession is worse than the recession of 1981-82. Van conversions are not suffering a record low, however. We need to go back to the 1979-80 recession to get even lower levels of shipments. From March through July of 1980, van-conversion shipments were below current levels, with the record low point at 4,280 units in May of that year.

The Detailed View

As seen in Figure 5, several types of RV units improved on their December 1990 performance. Towables as a group were up 3.5%, with strong gains in fifth-wheels and in folding camping trailers. Truck campers also advanced. These three types of units offset the 20% or higher declines for the month in conventional travel trailers and park models.

Among motorhomes, all three classes declined in volume from the preceding month. The setback in Class C units was confined, however, to low-profile units, with both minimotorhomes and micro-minis advancing.

Van conversions led the downward movement of the industry this January. In fact, if these units are removed from the numbers, there was a slight advance of 90 units in total RV shipments, or an increase of 0.8% in January 1991 from December. But with a 23% decline in van conversions, the aggregate numbers for the industry were pulled down by 8.8%.

Hence, there may be some reason to believe, or at least to hope, that the January numbers reinforce the sense of bottoming out, which was suggested in the December 1990 data.

Figure 6 compares this year to last year at the same point in time. Of course, we

RV SHIPMENTS—MONTHLY COMPARISONS
(Adjusted for seasonal variation)

Type of Units	Jan. '91	Change from Dec. '90 Number	Change from Dec. '90 %	Change from Jan. '90 Number	Change from Jan. '90 %
TOTAL RVs	17,520	-1,690	-8.8	-15,490	-46.9
Travel Trailers:					
Conventional	3,000	-770	-20.4	-1,960	-39.5
Park Models	470	-130	-21.5	-90	-15.9
Fifth-wheels	1,920	430	28.9	-780	-28.8
All Travel Trailers	5,390	-470	-8.0	-2,830	-34.4
Folding Camping Trailers	2,650	700	36.0	-970	-26.8
Truck Campers	710	60	8.8	-140	-16.8
TOTAL TOWABLES	8,750	290	3.5	-3,940	-31.0
Motorhomes:					
Class A	1,510	-130	-8.0	-1,290	-46.1
Class B	380	-60	-12.8	-120	-23.3
Class C:					
Minis	750	10	1.4	-500	-40.0
Low-Profiles	0	-110	-100.0	-130	-100.0
Micro-minis	200	80	68.9	-110	-34.6
Class C Total	950	-20	-1.8	-740	-43.6
TOTAL MOTORHOMES	2,850	-200	-6.7	-2,140	-43.0
TOTAL TOWABLES & MOTORHOMES	11,600	90	0.8	-6,080	-34.4
Multiuse Van Conversions	5,920	-1,780	-23.1	-9,410	-61.4

Note: Data rounded to nearest 10 units.

Figure 5

RV SHIPMENTS—ANNUAL COMPARISONS
(Adjusted for seasonal variation)

Type of Units	Year-to-Date 1991	Year-to-Date 1990	Difference Number	Difference %	%Market Share 1991	%Market Share 1990
TOTAL RVs	17,520	33,010	-15,490	-46.9	100.00	100.00
Travel Trailers:						
Conventional	3,000	4,960	-1,960	-39.5	17.13	15.03
Park Models	470	560	-90	-15.9	2.69	1.70
Fifth-wheels	1,920	2,700	-780	-28.8	10.97	8.18
All Travel Trailers	5,390	8,220	-2,830	-34.4	30.79	24.90
Folding Camping Trailers	2,650	3,620	-970	-26.8	15.13	10.97
Truck Campers	710	850	-140	-16.8	4.04	2.57
TOTAL TOWABLES	8,750	12,690	-3,940	-31.0	49.96	38.44
Motorhomes:						
Class A	1,510	2,800	-1,290	-46.1	8.61	8.48
Class B	380	500	-120	-23.3	2.19	1.51
Class C:						
Minis	750	1,250	-500	-40.0	4.28	3.79
Low-Profiles	0	130	-130	-100.0	0.00	0.39
Micro-minis	200	310	-110	-34.6	1.16	0.94
Class C Total	950	1,690	-740	-43.6	5.44	5.12
TOTAL MOTORHOMES	2,850	4,990	-2,140	-43.0	16.24	15.12
TOTAL TOWABLES & MOTORHOMES	11,600	17,680	-6,080	-34.4	66.20	53.56
Multiuse Van Conversions	5,920	15,330	-9,410	-61.4	33.80	46.44

Note: Data rounded to nearest 10 units; market-share percentages may not add to total because of rounding.

Figure 6

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RVIA SHIPMENTS *continued*

have but one month's data to work with at this time. Total shipments were down 47% in January. Although all types of units were below their year-ago levels, van conversions were having the greatest problems, with a 61% decline. Their market share has fallen from 46% to just 34% in January.

Data confirm that the recession is basically affecting motorized units, paralleling the problems of the automotive industry.

Towables, with a lesser decline of 31%, advanced to make up almost half the market. Folding camping trailers made the greatest market-share gain under these adverse conditions, picking up more than four share points. As a group, motorhomes made only a little progress as van conversions yielded market share.

Concluding Note

These data confirm observations made in this space in earlier months: The recession is basically affecting motorized units, paralleling the problems of the automotive industry. The end of the Persian Gulf War is expected to help counteract that trend. Consumer confidence, whatever that may be, is expected to improve and stimulate expenditures for durable goods. Lower interest rates mean that, as the winter months end, shoppers will find lower monthly payments are needed to finance their purchases. Gas prices are down, and the anxiety about their future course is behind us.

Above all else, spring training has started for baseball. With it comes renewed (if misplaced) optimism about the prospects for our favorite teams. With fans of the Chicago Cubs again believing that their heroes are preparing for a season of glory on the sunny fields of Arizona, the nation advances. Even Atlanta fans are cheerful. Surely, something is in the air. Perhaps it all bodes well for this industry. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

Pictured above is Dennis D. Beggs, Service Manager, Beggs Motor Homes, Inc., with a Safe-T-Plus Steering Control. In the last six months, Beggs Motor Homes has sold over 40 Safe-T-Plus units for all kinds of recreational vehicles.

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DOWN DECEMBER CAPPED BAD YEAR

TOM WALWORTH

According to year-end registration numbers for 1990, the motorhome market declined by 19.5% compared with 1989, while RV-trailer sales finished the year 3.7% behind the pace of '89.

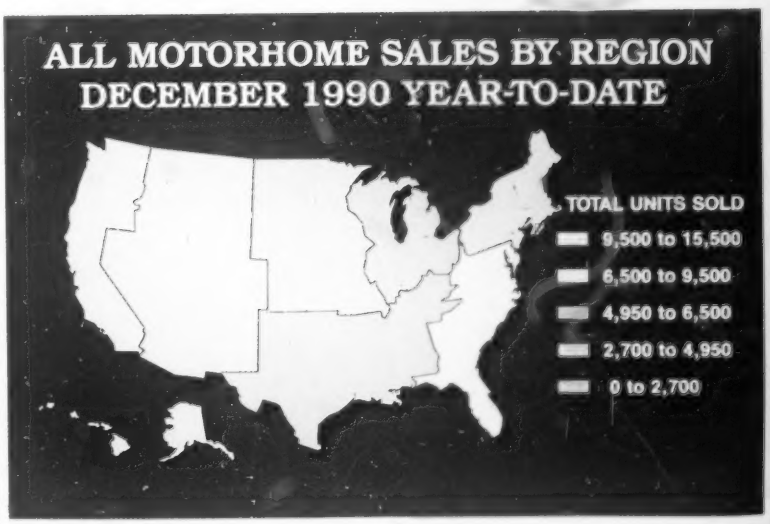
December 1990 put the finishing touches on what had been a tough year. Motorhome retail-sales figures for the month were off 41.4%, or 1,342 units, compared with December 1989. Figure 1 shows seven regions of the country ranked according to the percent change in December motorhome sales from the same month in 1989. The East North Central region topped the rankings, with Wisconsin reporting the largest gain. The Northeast fell to last place, and Rhode Island had the largest decline.

On a year-to-date basis, the motorhome market was off by 10,792 units, or 19.5%, from the previous year. Figure 2 ranks the same national regions by their percent of change in sales from 1989. The South Central region took the No. 1 spot, with Louisiana experiencing the largest increase. The Northeast once more trailed the pack, and Massachusetts was the biggest loser.

The RV-trailer market for December 1990 suffered a decline of 576 units, or a 12.1% drop compared with December 1989. Figure 3 provides a regional ranking according to the percentage change in trailer sales compared with December 1989. The East North Central region headed the regional ranking, with Wisconsin reporting the largest gain. The Northeast was bottom-ranked, with Massachusetts having the largest decline.

Year-to-date, the RV-trailer industry was down 3.7%, for a 4,188-unit decline compared with 1989. In Figure 4, the seven national regions are listed according to their percent of change from the previous year. The South Central region came in first, and Alabama reported the largest gain for the year. The Northeastern states lagged last, and New Hampshire had the largest drop.

After the Middle East crisis began in 1990, the RV industry faced a collapse of its retail market. However, RV trailers did better than motorhomes.



East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin. **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming. **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont. **Pacific**: Alaska, California, Oregon, Washington, Hawaii. **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia. **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota. **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

GRAPHICS: DIGITAL LIFE

AT RETAIL *continued*

We believe that it was uncertainty over gasoline prices and availability that led to the more severe decline of motorhome sales. In addition, the motorhome market experienced a loss in the number of competitors and their output. There were eight fewer motorhome manufacturers in 1990; those manufacturers had contributed a total of 3,700 units to 1989's retail-sales figures. Overall, the traditional motorhome market mix is changing. The demographics of the buyers and regional motorhome sales patterns are changing.

We expect the last half of 1991 to provide a much better sales climate for the RV-trailer and motorhome industries. Δ

MOTORHOMES, DEC. '90

Dec. '90 Rank	Region	% of Change From Dec. '89	Nov. '90 Rank
1	E.N. Central	-35.4	1
2	Mountain	-37.5	5
3	Pacific	-39.1	4
4	W.N. Central	-42.2	3
5	S. Central	-42.8	7
6	S. Atlantic	-44.0	2
7	Northeast	-52.2	6

Figure 1

MOTORHOMES, YEAR-TO-DATE

Dec. '90 Rank	Region	% of Change Year-to-Date	Nov. '90 Rank
1	S. Central	-15.1	1
2	Mountain	-16.9	2
3	Pacific	-17.1	3
4	W.N. Central	-18.0	4
5	S. Atlantic	-20.8	5
6	E.N. Central	-23.1	6
7	Northeast	-26.2	7

Figure 2

RV TRAILERS, DEC. '90

Dec. '90 Rank	Region	% of Change From Dec. '89	Nov. '90 Rank
1	E.N. Central	16.4	2
2	S. Central	- 5.9	3
3	Mountain	- 7.9	5
4	S. Atlantic	-15.4	1
5	W.N. Central	-16.5	6
6	Pacific	-18.6	4
7	Northeast	-25.0	7

Figure 3

RV TRAILERS, YEAR-TO-DATE

Dec. '90 Rank	Region	% of Change Year-to-Date	Nov. '90 Rank
1	S. Central	6.0	1
2	Mountain	2.5	2
3	Pacific	- 0.8	3
4	W.N. Central	- 3.4	4
5	E.N. Central	- 4.7	6
6	S. Atlantic	- 5.2	5
7	Northeast	-16.5	7

Figure 4

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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